

The Budget Debate

Cap and Trade or Cap and Tax?

Families and small businesses across our nation and in the First District are struggling and looking for ways to hang on through these troubling economic times. They are not looking for empty rhetoric from Washington, but they are looking for real solutions. Congress needs a plan that curbs spending, creates jobs, lowers taxes, and controls the debt.

One way we can help families and small businesses is to allow them to keep more of what they earn — not take it away by increasing taxes. That is why I am extremely troubled by the Administration's proposed budget that will add to the burden because it spends too much, taxes too much and borrows too much.

This same budget includes what the Administration calls a "cap and trade" system on energy — which should be called a "cap and tax" system — that threatens to ship more jobs overseas and raise energy taxes. Anyone who even so much as turns on a light switch will be forced to pay higher energy bills thanks to this new tax increase, which will cost every American family an average of \$3,100 per year in higher energy prices. I do not believe that raising energy prices is the right answer at a time when the American people are hurting and the economy is in recession.

“cap and tax” and other energy taxes will drive up both home energy and gasoline prices for families and for businesses. And while Wall Street businesses are able to get billions to bail them out, small businesses will get stuck with not only tax increases on the money they use to create jobs but also their energy use. This is wrong.

An analysis by the Environmental Protection Agency (EPA) estimates that manufacturing output could be reduced by as much as 12 percent, costing over three million American jobs. (Analysis of The Lieberman-Warner Climate Security Act (S. 2191) Using The National Energy Modeling System (NEMS/ACCF/NAM); <http://www.accf.org/pdf/NAM/fullstudy031208.pdf>.)

During what even the Administration calls a “historic crisis,” it is mind-boggling that we would even think about enacting policies that eliminate more jobs.

The report shows that these and other increased energy costs slow the economy by \$151 billion to \$210 billion in 2020 and \$631 billion to \$669 billion in 2030 (in 2007 dollars). This will, in turn, lead to job losses of between 1.2 million to 1.8 million in 2020 and 3 million to 4 million by 2030.

Worse, the rise in prices for energy and energy-intensive goods and services will hit those who can least afford the increases the hardest. These regressive tax increases would impose a larger burden — relative to income — on low-income households more than on high-income households.

This budget also spends almost \$1.1 trillion of just discretionary funding, an increase of \$86 billion or 8.5% over Fiscal Year 2009. This increase comes on top of an already fiscally irresponsible 8 percent increase in last year’s budget. Why is the government growing so fast while everyone else is cutting back on their spending? Why are the Administration and some in Congress insisting on raising taxes that will clearly hurt struggling American workers?

As a nation we are facing real and troubling problems. Enacting misguided policies will impact our nation for generations to come — and quite frankly — we cannot afford to make detrimental mistakes such as the cap and trade system.

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